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FISCAL IMPACT STATEMENT

LS 6029 | **NOTE PREPARED:** Dec 14, 2014
BILL NUMBER: HB 1211 | **BILL AMENDED:**

SUBJECT: Protected Taxes and School Corporations.

FIRST AUTHOR: Rep. Errington | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill specifies that a school corporation may determine the allocation among its funds of property tax reductions resulting from the granting of property tax circuit breaker credits.

Effective Date: January 1, 2015 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill permits school corporations, by resolution, to choose how to allocate circuit breaker losses among their funds. Under current law, taxing units must allocate circuit breaker losses only to unprotected funds to the extent possible.

Property tax levies could increase depending on which funds receive the loss allocations. If some of the losses are allocated to debt funds and if it becomes necessary to use the operating balances in those funds to make debt payments, debt levies could increase in subsequent years to restore those operating balances. If levies rise, then all taxing units that intersect the school corporation could be subject to higher circuit breaker losses.

In 2014, with the protected taxes law in effect and before any reallocation allowed under HEA 1062 (2014), 3 school corporations exhausted the levies in their nondebt funds and another 13 school corporations lost at least 50% of their nondebt levies to circuit breaker losses. However, HEA 1062 (2014) authorizes school corporations that experience at least a 10% loss to the transportation fund in 2014, 2015, or 2016 to allocate circuit breaker losses proportionally across all nonexempt funds for that year, notwithstanding the protected taxes law.

Additional Information - Certain levies are exempt from the calculation of property tax limits under the circuit breaker law. These include levies that are approved in a referendum and levies in Lake and St. Joseph Counties for debt incurred before July 1, 2008. When a taxing unit distributes tax receipts among its funds, the total amount collected from exempted funds must be allocated to those funds without any adjustment for circuit breaker credits.

Beginning in CY 2014 under HEA 1072 (2012) and SEA 517 (2013), both the exempt levies plus any debt service levies that are not exempt are deemed "protected taxes". The total amount of protected taxes collected must be allocated to the appropriate fund without any adjustment for circuit breaker credits. The tax loss from the circuit breaker must be allocated only among the unprotected funds. If the total circuit breaker loss exhausts the levies in all of a taxing unit's unprotected funds, then the excess is allocated to the protected funds. Taxing units may transfer money from nondebt funds into the debt service fund to replace the revenue that the debt service fund would have received if not for the circuit breaker allocation.

State Agencies Affected:

Local Agencies Affected: School corporations and civil taxing units.

Information Sources: County auditor abstracts.

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